

BELFAST CENTRAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

**BELFAST CENTRAL SCHOOL DISTRICT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017
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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Belfast Central School District
Belfast, New York 14711

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Belfast Central School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Belfast Central School District as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note I to the financial statements, in 2017, the District adopted new accounting guidance, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 79 *Certain External Investment Pools and Pool Participants*, Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, and GASB Statement No 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of Changes in the Net OPEB Liability, Schedule of Proportionate Share of the Net Asset/Liability, and Schedules of District Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Belfast Central School District's basic financial statements. The other supplementary information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2017, on our consideration of the Belfast Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Belfast Central School District's internal control over financial reporting and compliance.

R.A. MERCER & CO., P.C.

RA Mercer & Co, P.C.

Cattaraugus, New York
October 2, 2017

**BELFAST CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

Within this section of the Belfast Central School District's annual financial report, management provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the District's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

FINANCIAL HIGHLIGHTS

- The District's total net position at the close of this fiscal year was \$7,962,438.
- Total net position increased from \$7,588,676 (restated) at June 30, 2016.
- Net Investment in Capital Assets of \$6,046,138 include property and equipment, net of accumulated depreciation, and reduced for the outstanding debt related to the purchase or construction of capital assets.
- Net position of \$1,030,666 is restricted by constraints imposed from outside the District such as debt covenants, grantors, laws, or regulations.
- Unrestricted net position of \$885,634 will be used in future operations of the District.

Total liabilities of the District are \$11,632,184. Bonds payable total \$8,395,000, of which \$1,040,000 is the current portion.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the District's basic financial statements. The basic financial statements include: (1) government-wide (district-wide) financial statements, (2) fund financial statements, and (3) notes to the financial statements. The District also includes in this report additional information to supplement the basic financial statements.

- The first two statements are government-wide financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.
- The remaining statements are *fund financial statements* that focus on individual funds of the School District, reporting the School District's operation in *more detail* than the government-wide statements. Major funds are separately reported while all others are combined into a single, aggregated presentation.
- *Fiduciary funds* statements provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

The following table summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Major Features of the District-Wide and Fund Financial Statements

Feature	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of Net Position	Balance Sheet	Statement of Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position - the difference between the District's assets, deferred outflows, liabilities and deferred inflows - is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the School District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are shown as *Governmental activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Extraclassroom Activity Fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Financial Statements

The financial statements also include Notes that provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's compliance with NYS Education requirements. Supplemental information follows the notes to the financial statements.

Financial Analysis of the District as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The District reported positive balances in net position for governmental activities.

The District's net position at fiscal year end 2017 was \$7,962,438. This is an increase from net position of \$7,588,676 (restated) at fiscal year end 2016.

Summary of Net Position
As of June 30, 2017 and 2016

	Governmental Activities		
		(Restated)	Amount of
	2017	2016	Change
Assets:			
Current and Other Assets	\$ 2,163,349	4,060,630	(1,897,281)
Capital Assets	15,567,833	14,923,640	644,193
Total Assets	<u>17,731,182</u>	<u>18,984,270</u>	<u>(1,253,088)</u>
Deferred Outflow of Resources:			
Pensions and Other Post Employment Benefits	2,027,474	405,194	1,622,280
Total Deferred Outflow of Resources	<u>2,027,474</u>	<u>405,194</u>	<u>1,622,280</u>
Liabilities:			
Current Liabilities	2,363,274	1,317,845	1,045,429
Non-Current Liabilities	9,268,910	9,815,963	(547,053)
Total Liabilities	<u>11,632,184</u>	<u>11,133,808</u>	<u>498,376</u>
Deferred Inflow of Resources:			
Pensions and Other Post Employment Benefits	164,034	666,980	(502,946)
Total Deferred Inflow of Resources	<u>164,034</u>	<u>666,980</u>	<u>(502,946)</u>
Net Position:			
Net Investment in			
Capital Assets	6,046,138	5,310,196	735,942
Restricted	1,030,666	712,897	317,769
Unrestricted	885,634	1,565,583	(679,949)
Total Net Position	<u>\$ 7,962,438</u>	<u>7,588,676</u>	<u>373,762</u>

The Net Investment in Capital Assets amount represents 76 percent of the District's total net position.

Resources that are subject to restrictions on how they may be utilized represent 13 percent of the District's net position. These restrictions are for Debt Service and Employee Benefit requirements.

The remaining category of net position, unrestricted at 11 percent, is a surplus and will be used in future operations of the District.

The following table provides a summary of the District's changes in net position:

	Governmental Activities		Amount of Change
	2017	(Restated) 2016	
Revenues:			
Program Revenues:			
Charges for Services	\$ 81,485	110,167	(28,682)
Operating and Capital Grants and Contributions	467,485	665,484	(197,999)
General Revenues:			
Property Tax	1,435,817	1,373,000	62,817
Property Tax Items	411,443	431,829	(20,386)
State Formula Aid	7,270,191	7,143,541	126,650
Medicaid Reimbursement	11,567	60,729	(49,162)
Miscellaneous	122,372	154,636	(32,264)
Total Revenues	<u>9,800,360</u>	<u>9,939,386</u>	<u>(139,026)</u>
Expenses:			
General Support	1,586,225	1,502,838	83,387
Instruction	6,451,500	5,597,706	853,794
Transportation	727,098	652,186	74,912
Community Services	53,692	53,897	(205)
Debt Service - Interest	453,594	482,738	(29,144)
Cost of Sales - Food	158,735	148,843	9,892
Total Expenses	<u>9,430,844</u>	<u>8,438,208</u>	<u>992,636</u>
Changes in Net Position	369,516	1,501,178	(1,131,662)
Gain on Disposition of Equipment	3,060	1,582	1,478
Premium on Obligations	1,186	-	1,186
Net Position at Beginning of Year	7,588,676	6,362,385	1,226,291
Restatement	-	(276,469)	276,469
Net Position at End of Year	<u>\$ 7,962,438</u>	<u>7,588,676</u>	<u>373,762</u>

As shown above, the District is heavily reliant on state aid to support District operations. State Aid provided 74 percent of the District's total governmental revenues in 2017 and 72 percent in 2016. Property taxes and tax items provided 19 percent of total governmental revenues in 2017 and 18 percent in 2016, while operating and capital grants provided 5 percent in 2017 and 2016. Total governmental revenues decreased \$139,026 from 2016 to 2017.

The total governmental activities cost \$9,430,844 for this year, compared to \$8,438,208 in the prior year. Of this amount, Instruction, with \$6,451,500 was the largest operating services cost at 68 percent of total cost of services in fiscal year 2017. General Support cost was 17 percent of the total for 2017 and 18 percent for 2016. Each of these services were primarily funded by New York State and Federal Sources and the District's taxing authority. Other District activities with significant funding requirements include Pupil Transportation, which was 8 percent of the total cost at \$727,098, and Debt Service interest which totaled \$453,594. It should be noted that General Support, Instruction, and Transportation have been adjusted for depreciation expense in the amount of \$642,567.

The prior year amounts have been restated due to implementation of GASB 75 reporting requirements.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Governmental Funds

	<u>General</u>	<u>Public Library</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital</u>	<u>Total</u>
Fund Balance at June 30, 2015	\$ 862,140	69,156	-	(43,513)	312,848	(3,411)	1,197,220
Revenues	9,130,973	46,479	503,990	257,895	49	-	9,939,386
Expenditures	(8,457,616)	(46,590)	(502,535)	(311,319)	-	(215,641)	(9,533,701)
Other Financing Sources (Uses)	(50,000)	-	-	50,000	-	-	-
Fund Balance at June 30, 2016	1,485,497	69,045	1,455	(46,937)	312,897	(219,052)	1,602,905
Revenues	9,075,898	47,929	422,071	264,063	49	-	9,810,010
Expenditures	(9,045,120)	(43,454)	(422,007)	(320,706)	(199,372)	(1,161,868)	(11,192,527)
Other Financing Sources (Uses)	(50,000)	-	-	50,000	200,558	523,167	723,725
Fund Balance at June 30, 2017	\$ 1,466,275	73,520	1,519	(53,580)	314,132	(857,753)	944,113

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported an overall fund balance of \$944,113. The General Fund reported a fund balance of \$1,466,275. Restricted fund balances include: \$314,132 committed to service debt and \$436,534 for employee benefits, \$22,500 for unemployment, \$37,500 for workers' compensation, a repair reserve of \$30,000, and a capital reserve of \$190,000. Nonspendable fund balance includes \$4,790 for inventories. Fund balance has been assigned to General Support, Instruction, and Transportation totaling \$17,932 for outstanding encumbrances at year end. There is also \$73,520 in fund balance assigned to the Public Library. The amount of \$301,325 has been assigned to reduce taxes for the subsequent year.

The total ending fund balances of governmental funds show a decrease of \$19,222 for the General Fund and an increase of \$1,235 for the Debt Service Fund and an overall decrease of \$640,805 for other governmental funds over the prior year. The changes are primarily the result of the events and programs described within the analysis of the District's governmental activities.

Major Governmental Funds

The General Fund is the District's primary operating fund and the largest source of day-to-day service delivery.

The Special Aid Fund accounts for the activity of the federal and state grant programs.

The Debt Service Fund is used for the accumulation of resources that are restricted to expenditure for the payment of principal and interest on debt.

General Fund Budgetary Highlights

The General Fund amended budget for fiscal year 2017 was \$9,436,485. This was an increase of \$269,158 over the previous year amended budget. The supplemental section includes a schedule detailing the General Fund budget, its amendments, and comparisons to actual amounts.

Capital Assets and Debt Administration

Capital Assets (Net of Depreciation)

The School District's investment in capital assets includes land, buildings, equipment and infrastructure, including such things as parking lots and curbing, and construction in progress.

The following table details the capital assets, net of accumulated depreciation:

	Capital Assets, Net of Accumulated Depreciation As of June 30, 2017 and 2016		Amount of Change
	2017	2016	
<u>Nondepreciable Assets:</u>			
Land	\$ 53,232	53,232	-
Construction in Progress	1,224,004	236,150	987,854
<u>Depreciable Assets:</u>			
Buildings	19,723,975	19,723,975	-
Furniture and Equipment	2,015,530	1,937,474	78,056
Subtotal	23,016,741	21,950,831	1,065,910
Accumulated Depreciation	(7,448,908)	(7,027,191)	(421,717)
Total	<u>\$ 15,567,833</u>	<u>14,923,640</u>	<u>644,193</u>

Long-Term Debt

Total outstanding debt at June 30, 2017 was \$10,382,691, which included general obligation bonds of \$8,395,000, energy performance contract of \$502,167, compensated absences of \$466,139, post-employment obligation of \$594,372, and a net pension liability of \$425,013.

At the end of fiscal year 2016, the District had total bond debt outstanding of \$10,539,494, compensated absences of \$420,555, post-employment obligation of \$289,578 and a net pension liability of \$434,361.

The Moody's rating of the outstanding Serial Bonds remains an insured Aaa.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the School District was aware of the following existing circumstances that could significantly affect its financial health in the future:

Uncertainties regarding Aid from New York State may adversely affect the School District's programs and financial position.

Contacting the District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's commitment to public accountability. If you have questions about this report or need additional financial information, contact the Business Office, Belfast Central School District, One King Street, Belfast, New York, 14711.

FINANCIAL STATEMENTS

**BELFAST CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	
Unrestricted	\$ 277,214
Restricted	1,608,987
Receivables	
Accounts Receivable, Net	10,432
State and Federal Aid Receivable, Net	213,919
Due From Other Funds	48,007
Inventories	4,790
Capital Assets, Net	15,567,833
Total Assets	17,731,182
DEFERRED OUTFLOW OF RESOURCES	
Pensions and Other Post Employment Benefits	2,027,474
Total Deferred Outflow of Resources	2,027,474
LIABILITIES	
Payables	
Accounts Payable	180,805
Bond Anticipation Notes Payable	624,528
Accrued Liabilities	34,685
Due to Other Funds	30,085
Due to Other Governments	186
Due to Teachers' Retirement System	326,598
Due to Employees' Retirement System	47,277
Unearned Credits	
Unearned Revenue - Other	5,329
Long-Term Liabilities	
Due and Payable Within One Year	
Compensated Absences	46,614
Bonds Payable	1,040,000
Energy Performance Contract	27,167
Due and Payable After One Year	
Compensated Absences	419,525
Bonds Payable	7,355,000
Energy Performance Contract	475,000
Accrued Post Employment Obligation	594,372
Net Pension Liability	425,013
Total Liabilities	11,632,184
DEFERRED INFLOW OF RESOURCES	
Pensions and Other Post Employment Benefits	164,034
Total Deferred Inflow of Resources	164,034
NET POSITION	
Net Investment in Capital Assets	6,046,138
Restricted	1,030,666
Unrestricted	885,634
Total Net Position	\$ 7,962,438

The accompanying notes are an integral part of these financial statements.

BELFAST CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>
Governmental Activities				
General Support	\$ 1,586,225	-	-	(1,586,225)
Instruction	6,451,500	10,922	299,832	(6,140,746)
Pupil Transportation	727,098	-	-	(727,098)
Community Services	53,692	-	-	(53,692)
Debt Service - Interest	453,594	-	-	(453,594)
Cost of Sales	158,735	70,563	167,653	79,481
Total Governmental Activities	\$ 9,430,844	81,485	467,485	(8,881,874)
General Revenues				
Real Property Taxes and Tax Items				1,847,260
Use of Money and Property				4,288
Miscellaneous				100,454
Sale of Property and Compensation for Loss				17,630
State Sources				7,270,191
Medicaid Reimbursement				11,567
Total General Revenues				<u>9,251,390</u>
Other Financing Sources				
Gain on Disposition of Equipment				3,060
Premium On Obligations				<u>1,186</u>
Change in Net Position				373,762
Net Position-Beginning				7,865,145
Restatement				(276,469)
Net Position-Ending				<u>\$ 7,962,438</u>

The accompanying notes are an integral part of these financial statements.

BELFAST CENTRAL SCHOOL DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

	General Fund	Special Aid Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total	Adjustments (Note II)	Statement of Net Position
ASSETS								
Cash and Cash Equivalents								
Unrestricted	\$ 229,605	-	-	35,944	11,665	277,214	-	277,214
Restricted	717,710	-	312,907	502,167	76,203	1,608,987	-	1,608,987
Receivables								
Accounts Receivable, Net	10,432	-	-	-	-	10,432	-	10,432
State and Federal Aid Receivable, Net	105,380	99,135	-	-	9,404	213,919	-	213,919
Due from Other Funds	1,011,982	-	1,225	-	-	1,013,207	(965,200)	48,007
Inventories	-	-	-	-	4,790	4,790	-	4,790
Net Pension Asset	-	-	-	-	-	-	-	-
Capital Assets, Net	-	-	-	-	-	-	15,567,833	15,567,833
Total Assets	2,075,109	99,135	314,132	538,111	102,062	3,128,549	14,602,633	17,731,182
DEFERRED OUTFLOWS OF RESOURCES								
Pensions and Other Post Employment Benefits	-	-	-	-	-	-	2,027,474	2,027,474
Total Deferred Outflows of Resources	-	-	-	-	-	-	2,027,474	2,027,474
Total Assets and Deferred Outflows of Resources	2,075,109	99,135	314,132	538,111	102,062	3,128,549		
LIABILITIES								
Payables								
Accounts Payable	36,114	1,124	-	143,299	268	180,805	-	180,805
Bond Anticipation Notes Payable	-	-	-	624,528	-	624,528	-	624,528
Accrued Liabilities	-	2,888	-	-	1,540	4,428	30,257	34,685
Due to Other Funds	203,186	93,604	-	628,037	70,458	995,285	(965,200)	30,085
Due to Other Governments	-	-	-	-	186	186	-	186
Due to Teachers' Retirement System	326,598	-	-	-	-	326,598	-	326,598
Due to Employees' Retirement System	42,936	-	-	-	4,341	47,277	-	47,277
Unearned Credits								
Unearned Revenue - Other	-	-	-	-	5,329	5,329	-	5,329
Long-Term Liabilities								
Due Within One Year								
Compensated Absences	-	-	-	-	-	-	46,614	46,614
Bonds Payable	-	-	-	-	-	-	1,040,000	1,040,000
Energy Performance Contract	-	-	-	-	-	-	27,167	27,167
Due After One Year								
Compensated Absences	-	-	-	-	-	-	419,525	419,525
Bonds Payable	-	-	-	-	-	-	7,355,000	7,355,000
Energy Performance Contract	-	-	-	-	-	-	475,000	475,000
Accrued Post Employment Obligation	-	-	-	-	-	-	594,372	594,372
Net Pension Liability	-	-	-	-	-	-	425,013	425,013
Total Liabilities	608,834	97,616	-	1,395,864	82,122	2,184,436	9,447,748	11,632,184
DEFERRED INFLOWS OF RESOURCES								
Pensions and Other Post Employment Benefits	-	-	-	-	-	-	164,034	164,034
Total Deferred Inflows of Resources	-	-	-	-	-	-	164,034	164,034
FUND BALANCES/NET POSITION								
Fund Balances								
Nonspendable:								
Inventories	-	-	-	-	4,790	4,790	(4,790)	-
Restricted for:								
Debt Service	-	-	314,132	-	-	314,132	(314,132)	-
Employee Benefits	436,534	-	-	-	-	436,534	(436,534)	-
Unemployment	22,500	-	-	-	-	22,500	(22,500)	-
Workers' Compensation	37,500	-	-	-	-	37,500	(37,500)	-
Repairs	30,000	-	-	-	-	30,000	(30,000)	-
Capital	190,000	-	-	-	-	190,000	(190,000)	-
Assigned to:								
Appropriated Fund Balance	301,325	-	-	-	-	301,325	(301,325)	-
General Support	1,699	-	-	-	-	1,699	(1,699)	-
Instruction	15,783	-	-	-	-	15,783	(15,783)	-
Transportation	450	-	-	-	-	450	(450)	-
Public Library	-	-	-	-	73,520	73,520	(73,520)	-
Encumbrances	-	1,519	-	-	-	1,519	-	-
Unassigned:								
Unassigned Fund Balance	430,484	-	-	(857,753)	(58,370)	(485,639)	(485,639)	-
Total Fund Balances	1,466,275	1,519	314,132	(857,753)	19,940	944,113	(1,913,872)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,075,109	99,135	314,132	538,111	102,062	3,128,549		
Net Position								
Net Investment in Capital Assets							6,046,138	6,046,138
Restricted							1,030,666	1,030,666
Unrestricted							885,634	885,634
Total Net Position							7,962,438	7,962,438

The accompanying notes are an integral part of these financial statements.

BELFAST CENTRAL SCHOOL DISTRICT
GOVERNMENTAL FUND REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN FUND BALANCES/NET POSITION AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Special Aid Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total	Adjustments (Note II)	Statement of Activities
REVENUES								
Real Property Taxes and Tax Items	\$ 1,803,760	-	-	-	43,500	1,847,260	-	1,847,260
Charges for Services	10,096	-	-	-	826	10,922	-	10,922
Use of Money and Property	4,228	-	49	-	11	4,288	-	4,288
Sale of Property and Compensation for Loss	27,258	-	-	-	22	27,280	(9,650)	17,630
Miscellaneous	71,037	-	-	-	29,417	100,454	-	100,454
Other	-	-	-	-	-	-	-	-
State Sources	7,147,952	122,239	-	-	7,520	7,277,711	-	7,277,711
Federal Sources	11,567	299,832	-	-	160,133	471,532	-	471,532
Sales	-	-	-	-	70,563	70,563	-	70,563
Total Revenues	9,075,898	422,071	49	-	311,992	9,810,010	(9,650)	9,800,360
EXPENDITURES/EXPENSES								
General Support	1,275,149	-	-	-	121,906	1,397,055	189,170	1,586,225
Instruction	4,313,733	345,888	-	-	-	4,659,621	1,791,879	6,451,500
Pupil Transportation	514,934	2,379	-	-	-	517,313	209,785	727,098
Community Services	-	-	-	-	41,425	41,425	12,267	53,692
Employee Benefits	1,476,714	73,740	-	-	77,859	1,628,313	(1,628,313)	-
Debt Service	-	-	-	-	-	-	-	-
Principal	1,021,000	-	199,372	-	-	1,220,372	(1,220,372)	-
Interest	443,590	-	-	-	-	443,590	10,004	453,594
Cost of Sales	-	-	-	-	122,970	122,970	35,765	158,735
Capital Outlay	-	-	-	1,161,868	-	1,161,868	(1,161,868)	-
Total Expenditures/Expenses	9,045,120	422,007	199,372	1,161,868	364,160	11,192,527	(1,761,683)	9,430,844
Excess (Deficiency) of Revenues Over Expenditures/Expenses	30,778	64	(199,323)	(1,161,868)	(52,168)	(1,382,517)	1,752,033	369,516
OTHER FINANCING SOURCES AND (USES)								
Gain on Disposition of Equipment	-	-	-	-	-	-	3,060	3,060
Proceeds from Obligations	-	-	-	502,167	-	502,167	(502,167)	-
Premium On Obligations	-	-	1,186	-	-	1,186	-	1,186
BAN Redeemed From Appropriations	-	-	-	220,372	-	220,372	(220,372)	-
Interfund Transfers In	-	-	199,372	-	50,000	249,372	(249,372)	-
Interfund Transfers Out	(50,000)	-	-	(199,372)	-	(249,372)	249,372	-
Total Other Financing Sources (Uses)	(50,000)	-	200,558	523,167	50,000	723,725	(719,479)	4,246
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures/Expenses and Other Financing (Uses)	(19,222)	64	1,235	(638,701)	(2,168)	(658,792)	658,792	
CHANGE IN NET POSITION							373,762	373,762
FUND BALANCES/NET POSITION								
Beginning of Year	1,485,497	1,455	312,897	(219,052)	22,108	1,602,905	6,262,240	7,865,145
Restatement	-	-	-	-	-	-	(276,469)	(276,469)
End of Year	\$ 1,466,275	1,519	314,132	(857,753)	19,940	944,113	7,018,325	7,962,438

The accompanying notes are an integral part of these financial statements.

**BELFAST CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF JUNE 30, 2017**

	<u>Agency Fund</u>	<u>Private Purpose Trusts</u>
ASSETS		
Cash and Cash Equivalents		
Unrestricted	\$ 61,032	-
Restricted	66,211	9,047
Accounts Receivable	1,227	-
Due From Other Funds	30,085	-
	<u>158,555</u>	<u>9,047</u>
Total Assets		
	<u>158,555</u>	<u>9,047</u>
LIABILITIES		
Accrued Liabilities	44,337	-
Due to Other Funds	48,007	-
Extraclassroom Activity	66,211	-
	<u>158,555</u>	<u>-</u>
Total Liabilities		
	<u>158,555</u>	<u>-</u>
NET POSITION		
Reserved For Endowment Scholarships		9,047
		<u>9,047</u>
Total Net Position		<u>\$ 9,047</u>

The accompanying notes are an integral part of these financial statements.

**BELFAST CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Private Purpose Trusts</u>
ADDITIONS	
Interest and Earnings	\$ 1
Donations	<u>300</u>
Total Additions	<u>301</u>
 DEDUCTIONS	
Scholarships and Awards	<u>1,000</u>
Total Deductions	<u>1,000</u>
 Change in Net Position	(699)
 Net Position, Beginning of Year	<u>9,746</u>
 Net Position, End of Year	<u><u>\$ 9,047</u></u>

The accompanying notes are an integral part of these financial statements.

**BELFAST CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Belfast Central School District (the "District") have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies utilized by the District are described below:

A. Reporting Entity

The Belfast Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of seven members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity, as amended by GASB Statement 39, Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of a certain entity included in the District's reporting entity.

Extraclassroom Activity Fund

The Extraclassroom Activity Fund of the District represents funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Fund is independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Fund can be found at the end of these financial statements. The District accounts for assets held as an agent for various student organizations in an Agency Fund.

B. Joint Venture

The District is a component district in the Cattaraugus, Allegany, Erie, and Wyoming Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards are also considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal law.

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which students participate.

During the year, the District was billed \$1,870,102 for BOCES administrative and program costs. Participating school districts issue debt on behalf of BOCES. During the year, the District did not issue debt on behalf of BOCES and there was no BOCES debt outstanding as of the year end.

The District's share of BOCES aid amounted to \$1,038,680.

Financial statements for the BOCES are available from the BOCES administrative office.

C. Basis of Presentation

1. District-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State Aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental Funds

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as Federal and State Grants that are restricted to expenditures for specified purposes other than debt service and capital projects. These restrictions may be imposed either by governments that provide the funds, by outside parties or by the government itself.

Debt Service Fund: This fund accounts for the accumulation of financial resources that are restricted or assigned to expenditure the payment of principal and interest on long-term debt of governmental activities.

Capital Projects Funds: These funds are used to account for the financial resources that are restricted or assigned to expenditures for acquisition, construction, or major repair of capital facilities and bus purchases.

The District reports the following non-major funds:

School Lunch Fund: This fund is used to account for all of the financial transactions, including federal and state grants, related to child nutrition.

Public Library Fund: The Public Library Fund shall be used to record transactions of a library established and sponsored by the school district.

Fiduciary Funds

Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used.

The District reports the following fiduciary funds:

Private Purpose Trust Funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

Agency Funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds, and for payroll or employee withholding.

D. Measurement Focus and Basis of Accounting

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 365 days after the end of the fiscal year, except for real property taxes which are considered to be available if collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1 and became a lien on August 9, 2016. Taxes were collected during the period September 1, 2016 to October 31, 2016.

Uncollected real property taxes are subsequently enforced by the County in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1.

F. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

G. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the District-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity is presented later in these notes.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

I. Cash and Cash Equivalents/Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

New York State law governs the District's investment policies. Resources may be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

J. Receivables

Receivables are reported at their gross value, and when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K. Inventories

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

L. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2003. For assets acquired prior to July 1, 2003, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated Assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 1,500	Straight-line	40
Building Improvements	1,500	Straight-line	20 - 40
Furniture and Equipment	1,500	Straight-line	5 - 15

M. Unearned Revenues

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to the incurring of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

N. Deferred Outflows and Inflows of Resources

The Statement of Net Position reports a separate section for deferred outflows of resources which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has three items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the governmentwide Statement of Net Position.

The Statement of Net Position also reports a separate section for deferred inflows of resources which represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. This represents the effect of the net

change in the District's proportion of the collective net pension liability or net pension asset, and the difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Also, the governmentwide Statement of Net Position reports deferred inflows related to OPEB. This represents the effect of the net changes of assumptions or other inputs.

O. Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave and vacation time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation, or death, employees may contractually receive a payment based on unused accumulated sick leave.

District employees are granted vacation in varying amounts, based primarily on the length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination method, and an accrual for that liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the funds statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you-go basis.

P. Other Benefits

District employees participate in the New York State Employees' Retirement System and the New York State Teacher's Retirement System.

In addition to providing pension benefits, the District provides other post-employment benefits (OPEB), including health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

Belfast Central School District also offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 403b – Tax Sheltered Annuities. The plan is available to all school employees and permits them to defer taxation on a portion of their salary until future years. The deferred portion is withheld by the District and disbursed to the employees' plan administrator. The plans are owned by the individuals and held in trust by the plan administrator. The District has a fiduciary responsibility for funds withheld and remittance to trustees. The assets in the plan remain the property of the District until paid subject only to the claims of the District's creditors.

Q. Short-term Debt

The District may issue Bond Anticipation Notes (BAN) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of the bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

R. Accrued Liabilities and Long-term Obligations

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due within one year or due after one year in the Statement of Net Position.

S. Equity Classifications

In the District-wide statements there are three classes of net position:

Net Investment in Capital Assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvement of those assets.

Restricted Net Position – reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – reports all other net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

T. Funds Statements

In the fund basis statements there are five classifications of fund balance:

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$4,790.

Restricted – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General fund are classified as restricted fund balance. The School District has established the following restricted fund balances:

Debt Service – According to General Municipal Law, the Mandatory Reserve for Debt Service must be established for the purpose of retiring outstanding obligations. Interest and earnings on outstanding obligations and remaining bond proceeds not utilized for the intended purpose are recorded in the Reserve for Debt Service. These monies must be used to pay the debt service of the obligations from which they originated. This reserve is accounted for in the Debt Service Fund.

Reserve for Employee Benefit Accrued Liability – The purpose of this account is to reserve funds for the payment of any accrued employee benefit due to an employee upon termination of the employee's service. This reserve fund may be established by majority vote of the Board of Education and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

Encumbrances – Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Restricted fund balance includes reservations for the following:

General Fund:	
Employee Benefit Accrued Liability	\$ 436,534
Capital	190,000
Unemployment	22,500
Workers' Compension	37,500
Repairs	30,000
Debt Service Fund:	314,132
Total Restricted Funds	<u>\$ 1,030,666</u>

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2017.

Assigned – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$17,932. The amount of \$301,325 has been appropriated to reduce taxes in the subsequent year.

Unassigned – Includes all other General Fund net position that does not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

Along with the Board of Education, the Superintendent and/or the Business Manager of the District has the authority to assign fund balances for particular purposes.

U. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2017, the District implemented the following new standards issued by GASB:

GASB Statement No. 73 – “Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.” Effective for the year ended June 30, 2017.

Statement No 74 – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” establishes new accounting and financial reporting requirements for OPEB plans. Effective for the year ended June 30, 2017.

GASB Statement No. 75 – “Accounting and Financial Reporting for Postemployment Benefits Other than Pension.” This Statement replaces the requirements of Statements No. 45, - “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” as amended, and No. 57 – “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans” for OPEB. Effective for the year ending June 30, 2018. Early implemented in the year ended June 30, 2017.

GASB Statement No. 77 – “Tax Abatement Disclosures.” Effective for the year ended June 30, 2017.

GASB Statement No. 78 – “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.” Effective for the year ended June 30, 2017.

GASB Statement No. 79 – “Certain External Investment Pools and Pool Participants.” Effective for the year ended June 30, 2017.

GASB Statement No. 80 – “Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.” Effective for the year ended June 30, 2017.

GASB Statement No. 82 – “Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73.” Effective for the year ended June 30, 2017.

V. Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 81 – “Irrevocable Split-Interest Agreements.” Effective for the year ending June 30, 2018.

GASB Statement No. 83 – “Certain Asset Retirement Obligations.” Effective for the year ending June 30, 2019.

GASB Statement No. 84 – “Fiduciary Activities.” Effective for the year ending June 30, 2020.

GASB Statement No. 85 – “Omnibus 2017.” Effective for the year ending June 30, 2018.

GASB Statement No. 86 – “Certain Debt Extinguishment Issues.” Effective for the year ending June 30, 2018.

GASB Statement No. 87 – “Leases.” Effective for the year ending June 30, 2021.

GASB Statement No. 82 – “Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73.” Effective for the year ending June 30, 2017.

The District will evaluate the impact each may have on its financial statements and will implement them as applicable and when material.

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS.

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus on the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

The costs of building and acquiring capital assets (land, construction in progress, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Governmental Funds Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original Cost of Capital Assets	\$ 23,016,741
Accumulated Depreciation	(7,448,908)
	<u>\$ 15,567,833</u>

Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year end were:

	Due in One Year	Due After One Year	Total
Bonds Payable	\$ 1,040,000	7,355,000	8,395,000
Compensated Absences	46,614	419,525	466,139
Energy Performance Contract	27,167	475,000	502,167
Post Employment Obligation	-	594,372	594,372
Net Pension Liability	-	425,013	425,013
	<u>\$ 1,113,781</u>	<u>9,268,910</u>	<u>10,382,691</u>

Interest on long-term debt is recorded as an expenditure in governmental funds when it is due, and thus requires the use of current financial resources. On the Statement of Net Position, interest is recognized as it accrues, regardless of when it is due. The accrued interest on the bonds payable increased from the prior year by \$10,004.

As indicated previously, the amounts reported on the Statement of Net Position for due to and due from other funds represent amounts due between different fund types (governmental activities and Fiduciary Funds). Eliminations have been made for amounts due to and from within the same fund type.

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds Statements of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of five broad categories. The amounts shown below represent:

1. Long-Term Revenue Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the Statement of Activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

4. Allocation of Indirect Expenses

Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

5. Pension Differences

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension system.

Differences between the governmental funds Operating Statement and Statement of Activities

Total Revenue and Other Funding Sources of Governmental Funds

Total revenue and other funding sources of governmental funds	\$ 10,783,107
Proceeds from Sales of Equipment	(9,650)
Gain on Disposition of Equipment	3,060
Elimination of interfund revenue from governmental funds:	
Interfund transfers in	(249,372)
Proceeds from Obligations and BAN's Redeemed from Appropriations	(722,539)
Total revenues and other funding sources of governmental activities in the Statement of Activities	<u>\$ 9,804,606</u>

Total Expenditures and Other Uses Reported in Governmental Funds

Total expenditures and other uses reported in governmental funds	\$ 11,441,899
In the Statement of Activities, certain operating expenses (compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The estimated liability for compensated absences was higher than the amounts paid by \$45,584.	45,584
When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$642,567 was less than capital expenditures of \$1,293,350 in the current year.	(650,783)
Elimination of interfund expenditures from governmental funds:	
Interfund transfers out	(249,372)
Net Other Post Employment Obligation	41,004
Repayment of bond and BAN principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities	(1,220,372)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The net interest reported in the Statement of Activities is the result of accrued interest on bonds payable.	10,004
(Increases) decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds for TRS and ERS Retirement Systems	<u>12,880</u>
Total expenses and other uses of governmental activities	<u>\$ 9,430,844</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Policies

General Fund and School Lunch Fund

The District administration prepares a proposed budget for approval by the Board of Education for the General Fund and School Lunch Fund.

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

The Board of Education approves transfers among budgetary line items as deemed necessary.

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings; not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Special Aid Fund

Individual budgets are all adopted based on each federal, state, and local grant award. Transfers among budgetary line items are made as deemed necessary after approval by the grantor agency. Appropriations lapse at the end of the grant period versus the School District's fiscal year end.

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

C. Unassigned Fund Balance

New York State Real Property Tax Law 1318 limits unassigned funds balance to an amount not greater than 4% of the District's budget for the upcoming school year. At June 30, 2017, the District's unassigned fund balance was 4.46%.

NOTE 4 – CASH AND CASH EQUIVALENTS – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, AND INTEREST RATE RISKS

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ 1,636,971

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$1,608,987 in governmental funds and \$75,258 in the fiduciary funds.

NOTE 5 – RECEIVABLES

Receivables at year-end for individual major and non-major funds, which are stated at net realizable value, including the applicable allowances for uncollectible accounts, are as follows:

Description	Governmental Funds			Total
	Major		Non-Major	
	General	Special Aid	School Lunch	
Due from State and Federal	\$ 105,380	99,135	9,404	213,919
Other Receivables	10,432	-	-	10,432
Total	\$ 115,812	99,135	9,404	224,351

District management has deemed the amounts to be fully collectible.

NOTE 6 – CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Balance 7/1/16	Additions	Deletions	Balance 6/30/17
Nondepreciable:				
Land	\$ 53,232	-	-	53,232
Construction in Progress	236,150	987,854	-	1,224,004
Subtotal	289,382	987,854	-	1,277,236
Depreciable:				
Buildings	19,723,975	-	-	19,723,975
Furniture and Equipment	1,937,474	305,496	(227,440)	2,015,530
Subtotal	21,661,449	305,496	(227,440)	21,739,505
Less Accumulated Depreciation:				
Buildings	5,648,235	514,229	-	6,162,464
Furniture and Equipment	1,378,956	128,338	(220,850)	1,286,444
Total Accumulated Depreciation	7,027,191	642,567	(220,850)	7,448,908
Net Capital Assets	\$ 14,923,640	650,783	(6,590)	15,567,833

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 44,980
Instruction	404,817
Pupil Transportation	192,770
Total	\$ 642,567

NOTE 7 – SHORT-TERM DEBT

The District issued a \$624,528 bond anticipation note during the year ended June 30, 2016, to finance capital project expenditures. The details of this transaction are as follows:

	Maturity	Interest Rate	Beginning Balance	Issued	Refinanced/ Redeemed	Ending Balance
Bond Anticipation Note	8/4/2016	1.09%	\$ 220,372	-	(220,372)	-
Bond Anticipation Note	8/3/2017	1.50%	\$ -	624,528	-	624,528

Interest expense reported by the District associated with this bond anticipation note amounts to \$2,202, which is reported as an accrued liability at year end.

NOTE 8 – LONG-TERM DEBT

Long-term liability balances and activity for the year are summarized below:

	(Restated) Balance 7/1/16	Additions	Deletions	Balance 6/30/17	Amounts Due Within One Year
Serial Bonds Payable	\$ 9,395,000	-	1,000,000	8,395,000	1,040,000
Energy Performance Contract	-	502,167	-	502,167	27,167
Compensated Absences	420,555	466,139	420,555	466,139	46,614
Post Employment Benefit Obligation	566,047	28,325	-	594,372	-
Net Pension Liability	434,361	425,013	434,361	425,013	-
Total Long-Term Liabilities	<u>\$ 10,815,963</u>	<u>1,421,644</u>	<u>1,854,916</u>	<u>10,382,691</u>	<u>1,113,781</u>

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences.

Existing serial and energy performance contract obligations are as follows:

Description	Issue Date	Final Maturity	Interest Rate	Balance
Advanced Refunding Bonds	4/10/2012	6/15/2019	2.0 - 4.00%	\$ 675,000
Serial Bonds	6/8/2011	6/15/2039	2.0 - 5.25%	7,720,000
Energy Performance Contract	9/15/2016	9/16/2031	3.001%	502,167
				<u>\$ 8,897,167</u>

The following is a summary of debt service requirements:

Fiscal Year Ending June 30,	Serial Bonds	
	Principal	Interest
2018	\$ 1,067,167	409,458
2019	1,110,000	367,043
2020	785,000	328,443
2021	825,000	297,292
2022	860,000	256,642
2023-2027	2,635,000	665,118
2028-2032	690,000	335,532
2033-2037	625,000	180,863
2038-2039	300,000	23,888
Total	<u>\$ 8,897,167</u>	<u>2,864,279</u>

Interest paid on long-term debt for the year was \$441,188. This payment was recorded in the General Fund.

In the prior year certain general obligation bonds were defeased by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for those bonds are not included in the District's financial statements. The District advance refunded the bonds to revise its payment schedule due to changes in New York State's aid payment schedules. The School District is expected to realize, as a result of the issuance of the bonds, and in accordance with the Refunding Financial Plan, cumulative dollar and present value debt service savings in the amount of \$112,888. \$1,605,000 of bonds outstanding are considered defeased.

NOTE 9 – PENSION PLANS

A. General Information

The Belfast Central School District participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). These are cost-sharing multiple-employer, public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

B. Provisions and Administration

Teachers' Retirement System (TRS)

A 10-member Board of Trustees of the New York State Teachers' Retirement Board administers TRS. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the TRS Comprehensive Annual Financial report, which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS)

ERS provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

C. Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31.

The District is required to contribute at an actuarially determined rate. The required and actual contributions for the current year and two preceding years were:

	<u>NYSTRS</u>	<u>NYSERS</u>
2017	\$ 364,388	\$ 127,155
2016	460,724	138,613
2015	429,679	135,219

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pension

At June 30, 2017, the District reported the following asset/liability for its proportionate share of the net pension asset/liability for each of the Systems. The net pension asset/liability was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation. The District's proportion of the net pension asset/liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

For the year ended June 30, 2017, the District recognized pension expense of \$144,030 for ERS and pension expense of \$302,991 for TRS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Resources</u>		<u>Deferred Inflows Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 6,048	-	36,653	59,659
Change in Assumptions	82,459	1,046,180	-	-
Net difference between projected and actual earnings on pension investments	48,210	412,939	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	33,131	11,203	10,327	14,308
District Contributions Subsequent to the Measurement Date	47,277	309,619	-	-
Total	\$ 217,125	1,779,941	46,980	73,967

District contributions subsequent to the measurement date were recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending:	ERS	TRS
2018	\$ 51,456	\$ 253,900
2019	51,456	447,650
2020	48,345	347,871
2021	(28,388)	159,121
Thereafter	-	187,813

D. Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following significant actuarial assumptions:

	ERS	TRS
Measurement Date	March 31, 2017	June 30, 2016
Actuarial Valuation Date	April 1, 2016	June 30, 2015
Interest Rate	7.00%	7.50%
Salary Scale	3.80%	1.90% - 4.72%
Decrement Tables	April 1, 2010 - March 31, 2015 ERS' Experience	July 1, 2009 - June 30, 2014 TRS' Experience
Inflation Rate	2.50%	2.50%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each of the target asset allocation percentages and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement Date	ERS		TRS	
	March 31, 2017		June 30, 2016	
	Target Allocation	Rate of Return	Target Allocation	Rate of Return
Asset Type:				
Domestic Equity	36%	4.6%	37%	6.1%
International Equity	14%	6.4%	18%	7.3%
Real Estate	10%	5.8%	10%	5.4%
Alternative Investments	0%	0%	0%	9.2%
Domestic Fixed Income Securities	0%	0%	17%	1.0%
Absolute Return Strategy Investment	2%	4.0%	0%	0%
Opportunistic Funds	3%	5.9%	0%	0%
Real Assets	3%	5.5%	0%	0%
Private Equity	10%	7.8%	7%	0%
Global Fixed Income Securities	0%	0%	2%	0.8%
Mortgages	17%	1.3%	8%	3.1%
Short-Term	0%	0%	1%	0.1%
Cash	1%	-0.25%	0%	0%
Inflation-Indexed Bonds	4%	1.5%	0%	0%
	<u>100%</u>		<u>100%</u>	

E. Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the District's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0% for ERS and 6.5% for TRS) or 1-percentage point higher (8.0% for ERS and 8.5% for TRS) than the current rate:

ERS			
	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (770,870)	(241,364)	206,332
TRS			
	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (2,396,115)	(183,649)	1,672,052

G. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued ERS and TRS financial reports.

H. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$47,277.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$326,598.

NOTE 10 – INTERFUND TRANSACTIONS

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
<u>Governmental Funds</u>				
Major:				
General Fund	\$ 1,011,982	203,186	-	50,000
Special Aid	-	93,604	-	-
Capital Projects	-	628,037	-	199,372
Debt Service	1,225	-	199,372	-
Non-Major:				
School Lunch	-	68,017	50,000	-
Public Library	-	2,441	-	-
<u>Fiduciary Funds</u>				
Agency	30,085	48,007	-	-
Total	<u>\$ 1,043,292</u>	<u>1,043,292</u>	<u>249,372</u>	<u>249,372</u>

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The District has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the District's administration believes disallowances, if any, will be immaterial.

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS – GASB STATEMENT 75

Postemployment (Health Insurance) Benefits / Prior Period Adjustment

a. General Information about the OPEB Plan

Plan Description

The District's defined benefit OPEB plan, provides for current and future health care benefits for retired employees, their dependents and certain survivors. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided

The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms

At June 30, 2017, there were 64 active employees with coverage, no active employee without coverage and 15 retirees with coverage.

b. Total OPEB Liability

The District's total OPEB liability of \$566,047 was measured as of July 1, 2016, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate: 0% per year

Salary Scale: The salary scale for NYSERS employees is based on the NYSERS valuation as of June 30, 2015. The salary scale for NYSTRS employees is based on the NYSTRS valuation as of June 30, 2015.

Discount Rate: 2.92%

Healthcare Cost Trend Rate: 9.00% for 2017, decreasing 0.5% per year to an ultimate rate of 5.00% for 2025 and later years.

Retirees' Share of Benefit Related Costs: Retirees contributions are assumed to increase according to health care trend rates.

The discount rate was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) tax-exempt, high quality 20-year municipal bonds.

Mortality rates were based on the RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015. Although recommended, an experience study has not been performed.

c. Changes in the Total OPEB Liability

Balance (Restated) at June 30, 2016	\$	566,047
Changes for the Year:		
Service Cost		29,777
Interest		16,072
Difference between expected and actual experience		(33,449)
Changes in assumptions or other inputs		47,396
Benefit Payments		(31,471)
Net Change		<u>28,325</u>
Balance at June 30, 2017	\$	<u>594,372</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.94% in 2016 to 2.92% in 2017.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% point lower (1.92%) or 1% point higher (3.92%) than the current discount rate:

	1% Decrease (1.92%)	Discount Rate (2.92%)	1% Increase (3.92%)
Total OPEB Liability \$	634,535	594,372	555,873

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% point lower (8.00%) or 1% point higher (10.00%) than the current healthcare cost trend rate:

	1% Decrease (8.00% decreasing to 4.00%)	Healthcare Cost Trend Rates (9.00% decreasing to 5.00%)	1% Increase (10.00% decreasing to 6.00%)
Total OPEB Liability \$	531,828	594,372	666,635

d. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of \$20,538. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,408	-
Changes of assumptions	-	43,087
Net difference between projected and actual earnings on OPEB investments	-	-
Total	<u>\$ 30,408</u>	<u>43,087</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Amount
2018	\$ 1,268
2019	1,268
2020	1,268
2021	1,268
2022	1,268
Thereafter	6,339

e. Restatement of Net Position

For the fiscal year ended June 30, 2017, the District implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*. The implementation of Statement No. 75 resulted in the reporting of liability and deferred outflow of resources related to OPEB. The District's net position has been restated as follows:

Net Position, beginning of year, as previously stated	\$ 7,865,145
Change in net position for increase in reported OPEB liability resulting from GASB Statement No. 75 implementation	(276,469)
Net Position, beginning of year, restated	<u>\$ 7,588,676</u>

NOTE 14 – ADDITIONAL DISCLOSURES

A. Budget Modifications

The 2016-2017 operating budget is summarized as follows:

Original Adopted Budget	\$ 9,386,906
June 30, 2016, Carryover Encumbrances	49,579
Revised Budget	<u>\$ 9,436,485</u>

B. Excess Energy Performance Contract Proceeds

As of June 30, 2017, the Capital Projects fund balance includes \$71,590 of unspent energy performance contract borrowings.

C. Deficit Fund Balance

As of June 30, 2017, the Capital Projects Fund had a deficit fund balance of \$857,753. This deficit will be funded by future serial bond issuance.

The School Lunch Fund has a deficit fund balance of \$53,580 at June 30, 2017. This will continue to be monitored and will be funded by transfers from the General Fund and the continued operations of the Fund.

D. Tax Abatements

This District did not have any material tax abatement agreements in effect for the year ended June 30, 2017.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 2, 2017, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**BELFAST CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>		<u>Final Budget Variance With Budgetary Actual</u>
REVENUES					
Local Sources					
Real Property Taxes	\$ 1,392,317	1,392,317	1,392,317		-
Real Property Tax Items	412,674	412,674	411,443		(1,231)
Charges for Services	2,000	2,000	10,096		8,096
Use of Money and Property	1,750	1,750	4,228		2,478
Sales of Property and Compensation for Loss	400	400	27,258		26,858
Miscellaneous	104,967	104,967	71,037		(33,930)
State Sources	7,349,150	7,349,150	7,147,952		(201,198)
Medicaid Reimbursement	25,000	25,000	11,567		(13,433)
Total Revenues	9,288,258	9,288,258	9,075,898		(212,360)
OTHER FINANCING SOURCES					
Interfund Transfers In	23,648	23,648	-		(23,648)
Total Revenues and Other Financing Sources	9,311,906	9,311,906	9,075,898		(236,008)
APPROPRIATED FUND BALANCE	75,000	124,579			
Total Revenues, Other Financing Sources and Appropriated Fund Balance	9,386,906	9,436,485			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-end Encumbrances</u>	<u>Final Budget Variance With Budgetary Actual And Encumbrances</u>
EXPENDITURES					
General Support					
Board of Education	24,970	29,387	26,308	-	3,079
Central Administration	196,070	216,120	206,752	-	9,368
Finance	205,405	206,132	205,656	-	476
Staff	136,797	158,512	153,793	-	4,719
Central Services	580,801	577,213	553,516	1,699	21,998
Special Items	136,144	134,444	129,124	-	5,320
Total General Support	1,280,187	1,321,808	1,275,149	1,699	44,960
Instruction					
Administration & Improvement	308,062	321,563	317,582	-	3,981
Teaching - Regular School	2,324,462	2,460,523	2,412,490	12,944	35,089
Programs for Students with Handicapping Conditions	935,382	897,975	878,296	-	19,679
Occupational Education	179,980	167,630	167,563	-	67
Teaching - Special Schools	5,580	5,580	5,005	-	575
Instructional Media	220,953	207,710	204,652	1,328	1,730
Pupil Services	354,421	366,678	328,145	1,511	37,022
Total Instruction	4,328,840	4,427,659	4,313,733	15,783	98,143
Pupil Transportation	548,681	587,586	514,934	450	72,202
Community Service	-	-	-	-	-
Employee Benefits	1,709,429	1,581,528	1,476,714	-	104,814
Debt Service					
Principal	1,021,000	1,021,000	1,021,000	-	-
Interest	448,769	446,904	443,590	-	3,314
Total Expenditures	9,336,906	9,386,485	9,045,120	17,932	323,433
OTHER FINANCING USES					
Interfund Transfers Out	50,000	50,000	50,000	-	-
Total Expenditures and Other Financing Uses	9,386,906	9,436,485	9,095,120	17,932	323,433
Net Change in Fund Balance	-	-	(19,222)		
Fund Balance, Beginning	1,485,497	1,485,497	1,485,497		
Fund Balance, Ending	\$ 1,485,497	1,485,497	1,466,275		

The accompanying independent auditors' report should be read in conjunction with these financial statements.

**BELFAST CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>
Measurement Date	July 1, 2016
Total OPEB Liability	
Service cost	\$ 29,777
Interest	16,072
Changes in benefit terms	-
Difference between expected and actual experience	(33,449)
Changes in actuarial assumptions	47,396
Benefit payments	<u>(31,471)</u>
Net change in total OPEB liability	28,325
Total OPEB Liability, beginning of year	<u>566,047</u>
Total OPEB Liability, end of year (a)	<u>594,372</u>
 Plan Fiduciary Net Position	
Contributions from employer	31,471
Investment income	-
Benefit payments	(31,471)
Administrative expenses	<u>-</u>
Net change in plan fiduciary net position	-
Plan Fiduciary net position, beginning of year	<u>-</u>
Plan Fiduciary net position, end of year (b)	<u>-</u>
 Sponsor's Net OPEB Liability, ending (a) - (b)	<u><u>\$ 594,372</u></u>
 Plan fiduciary net position as % of total OPEB liability	0%
 Covered employee payroll	\$ 2,865,947
 Net OPEB liability as % of covered employee payroll	20.7%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. No assets are accumulated in a trust that meets the definition in paragraph 4 of GASB No. 75.
2. 10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

The accompanying independent auditors' report should be read in conjunction with these financial statements.

Supplemental Schedule 3

**BELFAST CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS TO OPEB
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>
Measurement Date	July 1, 2016
Contractually determined employer contribution	\$ 31,471
Actual contributions made	(31,471)
Contribution deficiency (excess)	<u>\$ -</u>
Covered Employee Payroll	\$ 2,865,947
Contributions as a percentage of covered employee payroll	1.10%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. No assets are accumulated in a trust that meets the definition in paragraph 4 of GASB No. 75.
2. 10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

The accompanying independent auditors' report should be read in conjunction with these financial statements.

**BELFAST CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
NYSLRS Pension Plan			
District's proportion of the net pension liability	0.0029017%	0.0027063%	0.0025687%
District's proportionate share of the net pension liability	\$ 98,027	\$ 434,361	\$ 241,364
District's covered-employee payroll	\$ 994,897	\$ 852,272	\$ 831,866
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.85%	50.97%	29.01%
Plan fiduciary net position as a percentage of the total pension liability	97.90%	90.70%	94.07%
NYSTRS Pension Plan			
District's proportion of the net pension asset	0.0173450%	0.0169380%	0.0171470%
District's proportionate share of the net pension (asset) liability	\$ (1,932,128)	\$ (1,759,304)	\$ 183,649
District's covered-employee payroll	\$ 2,544,268	\$ 2,646,733	\$ 2,641,804
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-75.94%	-66.47%	6.95%
Plan fiduciary net position as a percentage of the total pension liability	111.48%	97.90%	99.01%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

10 years of historical information are not available. An additional year of historical information will be added each year until 10 years are presented.

The accompanying independent auditors' report should be read in conjunction with these financial statements.

**BELFAST CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
NYSLRS Pension Plan			
Statutorily Required Contributions	\$ 135,219	138,613	127,155
Contributions In Relation To Statutorily Required Contributions	<u>135,219</u>	<u>138,613</u>	<u>127,155</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Employer's Covered-Employee Payroll	\$ 994,897	852,272	831,866
Contributions As A Percentage of Covered-Employee Payroll	13.59%	16.26%	15.29%

NYSTRS Pension Plan			
Statutorily Required Contributions	\$ 429,679	460,724	364,388
Contributions In Relation To Statutorily Required Contributions	<u>429,679</u>	<u>460,724</u>	<u>364,388</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Employer's Covered-Employee Payroll	\$ 2,544,268	2,646,733	2,641,804
Contributions As A Percentage of Covered-Employee Payroll	16.89%	17.41%	13.79%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

10 years of historical information are not available. An additional year of historical information will be added each year until 10 years are presented.

The accompanying independent auditors' report should be read in conjunction with these financial statements.

SUPPLEMENTAL SCHEDULES

**BELFAST CENTRAL SCHOOL DISTRICT
SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2017**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 9,386,906
Add: Prior Year's Encumbrances	<u>49,579</u>
Original budget	9,436,485
Budget Revisions:	-
Final Budget	<u>\$ 9,436,485</u>
Next year's budget is a voter-approved budget	<u>\$ 9,662,611</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-2017 Voter-Approved Expenditure Budget	
Maximum Allowed (4% of 2017-2018 budget)	<u>\$ 386,504</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:	
Unrestricted fund balance:	
Assigned Fund Balance	\$ 319,257
Unassigned Fund Balance	<u>430,484</u>
Total Unrestricted Fund Balance	<u>\$ 749,741</u>
Less:	
Appropriated Fund Balance	\$ 301,325
Encumbrances Included in Assigned Fund Balance	<u>17,932</u>
Total Adjustments	<u>\$ 319,257</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 430,484</u>
Actual percentage	4.46%

* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

The accompanying independent auditors' report should be read in conjunction with these financial statements.

**BELFAST CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF BALANCE SHEETS
NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017**

	<u>School Lunch Fund</u>	<u>Public Library Fund</u>	<u>Total Non-Major Funds</u>
ASSETS			
Cash and Cash Equivalents		76,203	76,203
Unrestricted	\$ 6,310	5,355	11,665
Receivables			
State and Federal Aid Receivable, Net	9,404	-	9,404
Inventories	4,790	-	4,790
Total Assets	<u>20,504</u>	<u>81,558</u>	<u>102,062</u>
LIABILITIES			
Payables			
Accounts Payable	-	268	268
Accrued Liabilities	1,540	-	1,540
Due to Other Funds	68,017	2,441	70,458
Due to Other Governments	186	-	186
Due to Employees' Retirement System	4,341	-	4,341
Unearned Credits			-
Unearned Revenue - Other	-	5,329	5,329
Total Liabilities	<u>74,084</u>	<u>8,038</u>	<u>82,122</u>
FUND BALANCES			
Nonspendable:			
Inventories	4,790	-	4,790
Assigned to:			
Public Library	-	73,520	73,520
Unassigned (Deficit)	<u>(58,370)</u>	<u>-</u>	<u>(58,370)</u>
Total Fund Balances (Deficit)	<u>(53,580)</u>	<u>73,520</u>	<u>19,940</u>
Total Liabilities and Fund Balances	\$ <u>20,504</u>	<u>81,558</u>	<u>102,062</u>

The accompanying independent auditors' report should be read in conjunction with these financial statements.

**BELFAST CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>School Lunch Fund</u>	<u>Public Library Fund</u>	<u>Total Non-Major Funds</u>
REVENUES			
Real Property Tax	\$ -	43,500	43,500
Charges for Services	-	826	826
Use of Money and Property	3	8	11
Sale of Property	-	22	22
Miscellaneous	28,486	931	29,417
State Sources	4,878	2,642	7,520
Federal Sources	160,133	-	160,133
Sales	70,563	-	70,563
Total Revenues	<u>264,063</u>	<u>47,929</u>	<u>311,992</u>
EXPENDITURES			
General Support	121,906	-	121,906
Community Services	-	41,425	41,425
Employee Benefits	75,830	2,029	77,859
Cost of Sales	122,970	-	122,970
Total Expenditures	<u>320,706</u>	<u>43,454</u>	<u>364,160</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(56,643)</u>	<u>4,475</u>	<u>(52,168)</u>
OTHER FINANCING SOURCES AND (USES)			
Interfund Transfers In	50,000	-	50,000
Net Other Financing Sources (Uses)	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(6,643)</u>	<u>4,475</u>	<u>(2,168)</u>
Fund Balance (Deficit), Beginning of Year	<u>(46,937)</u>	<u>69,045</u>	<u>22,108</u>
Fund Balance (Deficit), End of Year	\$ <u><u>(53,580)</u></u>	<u><u>73,520</u></u>	<u><u>19,940</u></u>

The accompanying independent auditors' report should be read in conjunction with these financial statements.

**BELFAST CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
AS OF JUNE 30, 2017**

Capital Assets, Net **\$ 15,567,833**

Deduct:

Bond Anticipation Notes Payable	624,528	
Short-Term Portion of Bonds Payable	1,040,000	
Short-Term Energy Performance	27,167	
Long-Term Portion of Bonds Payable	7,355,000	
Long-Term Energy Performance	<u>475,000</u>	<u>9,521,695</u>

Net Investment in Capital Assets **\$ 6,046,138**

The accompanying independent auditors' report should be read in conjunction with these financial statements.

BELFAST CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2017

Project Title	Original Appropriation	Revised Appropriation	Expenditures		Unexpended Balance	Methods of Financing			Fund Balance June 30, 2017
			Prior Years	Current Year		Proceeds of Obligations	State Aid	Local Sources	
EXCEL	\$ 9,977,550	10,127,550	10,034,022	-	93,528	10,084,810	332,299	92,337	10,220
Steel Building	18,750	18,750	19,894	-	(1,144)	19,894	-	-	-
Bus Garage	2,530,896	3,383,040	2,918,644	255,357	209,039	3,000,000	-	-	(460,736)
Athletic Project	1,700,000	1,700,000	-	304,812	1,395,188	1,422,653	-	277,347	(304,812)
Emergency Repairs	174,015	174,015	-	174,015	-	-	-	174,015	(174,015)
Energy Performance Contract	502,167	502,167	2,893	427,684	74,483	502,167	-	-	71,590
Totals	\$ 14,903,378	15,905,522	12,975,453	1,161,868	1,771,094	15,029,524	332,299	543,699	(857,753) **

** Fund Balance includes unspent proceeds at June 30, 2017

INTERNAL CONTROL AND COMPLIANCE



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Belfast Central School District
Belfast, New York 14711

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belfast Central School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Belfast Central School District's basic financial statements, and have issued our report thereon dated October 2, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Belfast Central School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Belfast Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Belfast Central School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Belfast Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 2016-01.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R.A. MERCER & CO., P.C.

R.A. Mercer & Co., P.C.

Cattaraugus, New York
October 2, 2017

**BELFAST CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

2016-01 – Unassigned Fund Balance

Conditions and criteria: New York State Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's General Fund budget for the ensuing fiscal year. At June 30, 2017, the District's unassigned fund balance amounted to 4.46% of the 2017-2018 General Fund budget.

Effect: The District is in violation of New York State Property Tax Law 1318.

Auditors' Recommendation: The District should continue to monitor fund balance during the fiscal year and consider reservation of fund balance options as permitted by New York State.

District's Response: The District will continue to monitor fund balance and will review all allowed reservation options as allowed by New York State.

EXTRACLASSROOM ACTIVITY FUND



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INDEPENDENT AUDITORS' REPORT

To the President and Members
of the Board of Education
Belfast Central School District
Belfast, New York 14711

We have audited the accompanying statements of assets and liabilities arising from cash transactions and the statement of revenues collected and expenses paid of the Extraclassroom Activity Fund, a component unit of the Belfast Central School District as of and for the year ended June 30, 2017.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as explained in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the recorded cash transactions of the Extraclassroom Activity Fund of Belfast Central School District as of and for the year ended June 30, 2017, on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

R. A. MERCER & CO., P.C.

RAMercerCo, P.C.

Cattaraugus, New York
October 2, 2017

Supplemental Schedule 11

**BELFAST CENTRAL SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES
AND FUND BALACE - CASH BASIS
EXTRACLASSROOM ACTIVITY FUND
AS OF JUNE 30, 2017**

Assets

Cash - Checking	\$ <u>66,211</u>
Total Assets	<u>66,211</u>

Liabilities and Fund Balance

Due to Other Funds	<u>-</u>
Total Liabilities	-
Fund Balance	<u>66,211</u>
Total Liabilities and Fund Balance	\$ <u>66,211</u>

See accompanying note to extraclassroom activity fund financial statements.

**BELFAST CENTRAL SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
EXTRACLASSROOM ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Extraclassroom Accounts</u>	<u>Balances 7/1/16</u>	<u>Total Receipts</u>	<u>Total Disbursements</u>	<u>Balances 6/30/17</u>
Class of 2015	\$ 2,236	-	-	2,236
Class of 2016	4,943	-	-	4,943
Class of 2017	9,119	10,903	17,458	2,564
Class of 2018	4,685	6,786	1,871	9,600
Class of 2019	5,828	6,748	196	12,380
Class of 2020	-	4,758	2,434	2,325
Student Council	5,718	8,837	12,963	1,591
National Honor Society	1,315	-	1,088	227
Middle School	20,545	23,860	23,280	21,124
Band	4,312	844	1,276	3,880
Choir	4,955	-	-	4,955
Yearbook	1,042	7,044	7,699	387
Totals	\$ <u>64,698</u>	<u>69,779</u>	<u>68,266</u>	<u>66,211</u>

See accompanying note to extraclassroom activity fund financial statements.

**BELFAST CENTRAL SCHOOL DISTRICT
NOTE TO FINANCIAL STATEMENTS
EXTRACLASSROOM ACTIVITY FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 - ACCOUNTING POLICY

The transactions of the Extraclassroom Activity Fund are independent of the reporting entity of Belfast Central School District. Consequently, such transactions are not included in the financial statements of the District. The Board of Education exercises general oversight of these funds, therefore, as of and for the year ended June 30, 2017, the cash and corresponding liabilities of the Extraclassroom Activity Fund are being included in the Agency Fund on the Statement of Fiduciary Net Position.

The accounts of the Extraclassroom Activity Fund of Belfast Central School District are maintained on a cash basis, and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables (other than returned bank items) and payables, inventories, long-lived assets, and accrued income and expenses (other than sales tax), which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statements.

**BELFAST CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017**

Student Records

We noted instances where student disbursement records did not contain a copy of the activity minutes authorizing approval of the disbursement as required by District policy. It is recommended that disbursement orders contain all required documentation.

We noted instances where cash collections appear to be held for a significant period of time prior to being deposited to the bank. It is recommended that cash be deposit to the bank as soon as possible after it is collected, not just when an event that spans a time frame ends.

We noted instances where the money tally form completed does not properly reflect the actual dates of cash collections. It is recommended that money tally forms contain the actual dates of cash collections.